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From: The Secretary

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2020 MID-YEAR RISK UPDATE—BACKGROUND PAPER

June 2, 2020

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- The Report benefited from collaboration with the following departments and offices: COM; CSF; FIN; HRD; ICD; ITD; KMU; LEG; MCM; OBP; OIA; RES; SPR; and STA

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Glossary

CBIT	Committee on Business and IT
CCBR	Comprehensive Compensation and Benefits Review
CD	Capacity Development
CJ	Information Crown Jewels
CSR	Comprehensive Surveillance Review
DSA	Debt Sustainability Analysis
EAC	External Audit Committee
EBA	External Balance Assessment
EISP	Enterprise Information Security Program
ESR	External Sector Report
FCC	Forward Commitment Capacity
FCL	Flexible Credit Line
FRC	Fund Risk Committee
FSAP	Financial Sector Assessment Program
FTE	Full-Time Equivalent
GPA	Global Policy Agenda
GRA	General Resources Account
HoDs	Heads of Departments
HRL	High-Risk Location
HSD	Health Services Department
IFRS 9	International Financial Reporting Standard Number 9, Financial Instruments
MONA	Monitoring of Fund Arrangements
MSP	Managed Service Provider
NAB	New Arrangements to Borrow
OPP	Outlook for Potential Programs
PB	Precautionary Balances
PRI	Portfolio Risk Index
QPC	Quantitative Performance Criteria
RCDC	Regional Capacity Development Centers
RCMP	Resilience and Crisis Management Program
RFA	Regional Financing Arrangement
RoC	Review of Conditionality and Design in Fund-Supported Programs
RRO	Resident Representatives Offices
RTAC	Regional Technical Assistance Center
SC	Structured Curriculum
SPG	Security Policy Group
TPRM	Third-Party Risk Management
UFR	Use of Fund Resources
VE	Vulnerability Exercise
WP	Work Program

RISK MITIGATION STATUS UPDATE

This Background Paper presents an update on the status of the risk mitigation actions taken by Departments in response to the last annual risk assessment, as contained in the 2019 Risk Report and approved by the Board in November 2019 (Annex II). With the emergence of the COVID-19 pandemic and the attendant global economic and financial crisis, the Fund's focus swiftly shifted to crisis response, and risk management also adapted. The Background Paper includes the steps taken by Departments in response to the challenges posed by the global pandemic (in addition to the measures outlined in the 2019 Risk Report).

To reduce the burden on Departments in the wake of the COVID-19 crisis response, ORM decided to forgo the formal request for mitigation updates. The information below relies on the Accountability Frameworks and other available information and action items, as well as an informal feedback from some Departments.

A. Medium-Term Budget

Update on the steps taken by Departments in response to the challenges posed by the pandemic (in addition to the measures outlined in the 2019 Risk Report).

Mitigation Direction	Risk Custodians	Update	Status
Efforts to mitigate risks arising from COVID-19	OBP, with All Depts	The FY2021-23 MTB discussion included a modest and temporary increase of 2 percent in the maximum carry forward to provide additional budget space to meet additional needs due to COVID-19. Risk-based resource allocation has been intensified. Staff resources are being reallocated to the center and “front line” needs, including through informal and temporary staffing arrangements. Other HR initiatives have been put in place (see <i>Human Capital</i>). Most Article IVs have been suspended, FSAPs have been delayed, and the Board Work Program is being reprioritized with some non-crisis and lower-priority work interrupted to deal with the crisis. Risk mitigation mechanisms kicked in to meet increased resource demand in the short term, including internal savings, reprioritization, and overtime. The Board approved an increase in the maximum allowable carry forward of general administrative resources from 3 percent to 5 percent to allow a temporary increase in resources. Any net additional resource needs will become clearer as more information becomes available and will be addressed in follow-up budget discussions later in the year.	In progress
Further improve risk-based measurements of resource	OBP, ORM	The FY2021-23 MTB further incorporated risk considerations. It identified risks, assessed their	In progress

allocation, build data on allocation across functions and FTFs (FY2021).		<p>likelihood and impact, and gauged preparedness and mitigation measures, and this is expected to continue.</p> <p>Work is ongoing to improve risk-based measurement of the allocation of resources, to further integrate risk mitigation in the budget process and document, and to refine risk-based allocation of resources, including by further integrating risk mitigation roadmaps prepared by ORM and departmental work plans in the budget process and document (Q4).</p> <p>Beginning in FY2021, OBP has collated the funding requests submitted by departments which relate to risk mitigation efforts identified in the Risk Report. In FY2021, risk mitigation areas receiving incremental funding include work on core risk areas, key modernization projects, Third-Party Risk Management, and efforts to capture the gains from HR and CCBR reforms.</p>	
Continue to incorporate risk considerations into budget planning, including an upcoming new capital budget framework (FY2021).	OBP	The FY2021-23 MTB incorporates emerging and enterprise risk considerations (including capital project risks and mitigation), as well as a FY2021 risk preparedness matrix covering drivers, impact and management. The budgetary process reflects enhanced use of risk-based tools, including tracking of funding of key mitigation measures, risk-based assessment of country needs and improvements to the capital investment framework.	In progress
Make progress in aligning the presentation of the budget papers with the FTF to improve transparency of budget allocation (FY2021).	OBP	An initial version of the Fund's Thematic Framework (FTF) was used to present the FY2020 budget and an updated version has been utilized in the FY2021 budget cycle. OBP, SPR, and KMU are working on operationalizing the FTF and complementing it with a concise set of economic and financial topics as well as cross-cutting topics that will be used across all Fund systems and operations (see below).	In progress
Implement the modernizing and streamlining initiatives, assessing their risk impact on the Fund's risk profile (ongoing initiative).	OBP, Depts.	<p>Reallocations continue to reflect the shifting of resources across workstreams, as well as streamlining and modernization and other efficiencies and savings.</p> <p>The FY2021-23 MTB reports on implementation of the streamlining and modernization measures noting that initial savings have been realized in FY2020 (including from streamlined multilateral surveillance, publications, printing, and SIPs) but significant upfront modernization investments (staff resources and systems) will affect FY2021 capital and administrative budgets. Risk mitigation connected to the modernization initiatives are also supported by the work of the Change Management Unit (see also <i>Human Capital</i> and <i>Technology</i>.)</p>	In progress
Complete the work on strengthening the capital	CBIT, OBP	In April 2020, the Board approved an update to the Fund's Capital Investment Framework (CIF). An	Complete

investment framework (full proposal expected by January 2020, see also <i>Technology</i>). Within the capital budget, ensure that the capital projects agenda related to the modernization do not crowd out smaller, but critical IT projects and risk mitigation initiatives (FY2020).		important component of the updated CIF has been to refine the classification of investment projects (into Transformational Projects, New Investments, and Lifecycle Replacements) and ensure that governance, risk management, and reporting procedures are calibrated based on the type and size of projects. Investment projects are evaluated and prioritized based on four explicit criteria: (i) strategic profile (fit with the strategy of the Fund and non-financial benefits); (ii) financial costs and benefits; (iii) risk mitigation profile, and (iv) capacity to deliver. The CIF update has taken stock of practices and experience, including lessons from the recently concluded HQ1 renewal. It also clarifies roles and responsibilities, strengthens the investment decision-making process, integrates risk and change management into the project governance structure, and identifies areas for further process improvement. OBP, ITD, and CSF will collaborate on staff-level guidelines to support the updated framework.	
Strengthen the use of TRACES for more accurate and comprehensive monitoring of the use of resources (expected in FY2021, see also <i>Policies and Decisions</i>).	OBP	OBP, SPR, and KMU are working on operationalizing the FTF and complementing it with a concise set of economic and financial topics as well as cross-cutting topics that will be used across all Fund systems and operations. The revised taxonomy will be finalized in FY2021 and form the basis of an updated time reporting system and costing model. It will also be incorporated into broader systems and processes (e.g. CDMAP, Accountability Frameworks, iDW).	In progress

B. Policies and Decisions

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Risks that have emerged or materialized since 2019 Risk Report—COVID-19	All Depts, OBP	Potential policies and decision risks arising from more accelerated procedures for considering the Fund's emergency financing during the pandemic are partly mitigated by the limited duration of these accelerated procedures. Attention is being paid to any potential weakening of existing safeguards. Risks posed by increased demand for resources to conduct higher volume of review work have been anticipated in the FY2021-23 MTB and any net additional resource needs will be addressed in follow-up budget discussions.	In progress
Require a broader, more consistent, transparent, and	All Depts.	FRC has called for plans to ensure a more transparent, consistent, and comprehensive use of	In progress

comprehensive use of eReview, including in cross-functional areas (FY2021).		eReview. OIA is planning to examine the review process for country and policy papers (Q3/Q4 FY2021).	
Identify a strategy to track review activity that takes place offline where posting on eReview is not feasible (FY2021).	ORM, SPR	FRC has called for plans to ensure a more transparent, consistent, and comprehensive use of eReview.	In progress
Ensure that each stage of the review and clearance process is recorded on eReview, including discussion of risk tradeoffs where relevant (FY2021).	All Depts.	FRC has called for plans to ensure a more transparent, consistent, and comprehensive use of eReview.	In progress
Explicitly recognize the impact of large/exceptional access/complex program cases on budgetary resources, including resources needed for review work (expected in FY2021).	FIN, OBP, ORM, SPR, LEG	FRC has called for FIN, ORM, SPR, and LEG to consider proposals for conducting <i>ex ante</i> enterprise risk assessment for large and complex program cases. Post-COVID-19 developments have drawn attention to the complexity of borderline/unsustainable program cases.	In progress
Strengthen the use of TRACES for more accurate and comprehensive monitoring of the use of resources (expected in FY2021, see also <i>Medium-Term Budget</i>).	OBP	OBP, SPR, and KMU are working on operationalizing the FTF and complementing it with a concise set of economic and financial topics as well as cross-cutting topics that will be used across all Fund systems and operations. The revised taxonomy will be finalized in FY21 and form the basis of an updated time reporting system and costing model. It will also be incorporated into broader systems and processes.	In progress
Continue to make progress in aligning the recording of the Fund's output and underlying input with the FTFs (FY2020).	OBP	OBP, SPR, and KMU are working on operationalizing the FTF and complementing it with a concise set of economic and financial topics as well as cross-cutting topics that will be used across all Fund systems and operations. The revised taxonomy will be finalized in FY2021 and form the basis of an updated time reporting system and costing model. It will also be incorporated into broader systems and processes.	In progress

C. Surveillance

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
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Risks that have emerged or materialized since 2019 Risk Report (RR)—COVID-19	All Depts	Surveillance combined macroeconomic policy analysis with epidemiological modelling to disentangle the path of the virus and its impact on health and economic systems. Staff gave early guidance on the severity of the downturn and incorporated additional scenario analysis to reflect the unusual uncertainty. Policy actions were tracked across 193 economies to develop policy advice and share good practices aimed at mitigating the impact of the outbreak on the economy, such as protecting people and jobs, and safeguarding macro-financial stability. The suspension of Article IV (AIV) consultation cycles to realign staff time and resources in favor of emergency program requests has raised a number of risks. Various proposals are under consideration to mitigate these risks and ensure continuity in the Fund's bilateral engagement with members	Consultation cycles have been extended (Policy Paper No. 20/027), A draft paper to restart surveillance during COVID-19 is being prepared.
Advance efforts to address the trend of forecast optimism and inefficiency, especially in large countries, including by improving institutional incentives for specialized training, better knowledge sharing, improving data quality, and forecast error detection. Strengthen model risk governance (September 2020).	ICD, KMU, RES, SPR, with Depts, ORM (model risk)	<p><u>As discussed in the RR19</u> Mitigation included more work on drivers of growth optimism; continued application and development of <u>forecast</u> diagnostic tools to help desk projections and review work; modernization of financial programming training and launch of the second <u>Tier I model validation</u>. The second phase of the <u>Data Gaps Initiative</u> and big data pilot projects are underway. Data Adequacy for Surveillance initiatives have been launched. In-reach on risk-based application of the TPIs framework continued, and the TPI digest has been updated with good practice.</p> <p>Additional commitments laid out in the AFs and updates through end-April include:</p> <p>On model validation: Review one-off models underlying policy messages in flagship analytical chapters (with FAD, RES) and support review of Tier 1 models underlying GFSR key messages (with IMRG, ORM) from MCM FY2020 AF. Upgrade GAR tool to version 2.0 for ADs (04/21) from MCM FY2021 AF. <u>OIA FY2021 AF</u>: With ORM, assess RM progress on strengthening forecast accuracy, through review of validation of flagship models, and development of guidelines on model governance (Q4 FY2021)</p> <p>On forecasting accuracy: R&D in support of the Forecasting and Policy Analysis System (FPAS) TA work; new course on Model-Based Monetary Policy Analysis and Forecasting (already in FY2020); development and application of new IET tools for forecasting and scenario analysis in the context of the FPP; blended IET learning modalities (ongoing) from <u>ICD FY2021 AF</u>.</p>	<p>In progress (forecast accuracy, model validation, data, risk and spillovers)</p> <p>Ongoing initiative: on forecast tools and training</p> <p>Delayed to 2021 due to pandemic: Board paper on the Tenth Review of IMF Data Standards Initiatives</p>

		<p>April WEO featured several innovations on preparing way forecasts are prepared (e.g., provision of top-down scenarios for desks) and presented (e.g., ranges and scenarios in addition to point estimates) mitigating some of the risks to surveillance and reputation.</p> <p>On risks and spillovers: See GFSR ke</p> <p>WEO 2020 Spillover Chapter: Global Migration and its Macroeconomics. More broadly, initiatives to respond swiftly to emerging risks have been scaled up, with a view to strengthen the sharing of knowledge and expertise, draw early lessons from country experience, formulate operational guidance and reflect on current policy advice to plan ahead for the recovery (cross-cutting country work initiatives include sharing of knowledge, diagnostic toolkits, and staff notes).</p> <p>On data quality for policy advice: Advance work on Review of Data Provision to the Fund for Surveillance Purposes and Article VIII Section 5 with STA, SPR, and LEG and roll out new tool for AD teams to assess data adequacy for surveillance based on the pilot country cases identified in FY2019. Strengthen data quality by supporting data and statistics governance bodies' work on Fund-wide data management standards from STA FY20 AF. As a result of the re-prioritization of policy work due to the pandemic, the Board paper "Data Provision to the Fund for Surveillance Purposes and Article VIII Section 5 led by STA with SPR and LEG as well as the Board Paper on the Tenth Review of IMF Data Standards Initiatives will now be presented to the Board in 2021.</p>	
Safeguard analytically sound, transparent, and consistent external sector assessments and refine EBA model (FY2022).	RES, SPR	<p><u>As discussed in the RR19:</u> Exploration of EBA model refinements, analytical work on individual factors related to external adjustments and external sector assessments and on measurement issues pertaining external positions continued (Working Paper WP/19/132). EBA upgrade to be undertaken next year; EBA-lite review to follow suit.</p> <p>Informal Board on ESA in non-ESR countries in February 2020 highlighting areas for improvement.</p>	In progress
Progress with the Joint WB-IMF Multi-Pronged Approach to address debt vulnerabilities, including the completion of the Review of DSA for Market Access Countries, continued outreach to international	SPR	<p><u>As discussed in the RR19:</u> The revised LIC DSF improving the assessment of contingent liabilities has been rolled out and the MAC DSA review to provide clearer signals on sovereign risks is in progress.</p> <p>Additional commitments in the AFs:</p>	<p>Complete (LIC DSF, GN on debt limits policy),</p> <p>In progress (MAC DSA)</p>

creditor community, and addressing data gaps, further strengthening debt management capacity and completion of the Review of the Policy on Public Debt Limits in Fund-Supported Programs (September 2020).		<p>On debt limits policy: Complete periodic review of the DLP to better align debt conditionality with country specific requirements and market developments, to better manage debt vulnerabilities; GN operationalizing the Board-approved review of the DLP (with SPR, 09/20), MCM FY21 AF.</p> <p>Analytical work on debt sustainability: Complete long-term analytical project on debt sustainability (joint with MCM/SPR and RES), and support review to the MAC DSA (led by SPR), FAD FY2020 AF.</p> <p>On training: Work with FAD, MCM, and SPR to deliver on the joint IMF-WB Multi-Pronged Approach to address emerging debt vulnerabilities, including by participating in the new phase of the DMF and upgrading the Debt Sustainability and Debt Management online course (ICD FY2020 AF).</p>	
Provide a unified framework for assessing traction through the CSR (April 2020) and continue to support desk and review work through the operationalization of the CPA toolkit (ongoing).	SPR	<p>The CSR midpoint note (FO/DIS/19/192) established a database for implementation of past Fund advice for 50 countries from 2014-18, a database for sentiment analysis using staff reports and Buff statements from 2000-18 using Natural Language Processing (NLP) techniques, as well as case studies. The CPA toolkit, which helps uphold consistency of policy advices, has been operationalized and implemented.</p> <p>The FSAP Review plans to evaluate traction of financial stability assessments.</p> <p>Delays to the CSR due to the crisis, but some AD initiatives progressed, e.g., EUR work on traction of key policy messages (see FY2021 AF).</p>	<p>Complete: CSR midpoint note (November 2019);</p> <p>Delays to the CSR due to the crisis, AD initiatives in progress</p> <p>Complete: CPA toolkit deployment</p>
Provide proposals on strengthening analysis on financial and macrofinancial issues and the integration into AIV reports through CSR and the FSAP review (April 2020).	MCM, SPR, Area Depts.	<p><u>As discussed in the RR19:</u> The FSAP Review Scoping Note committed to further enhancing systemic risk/macro-financial analysis and improving traction such as better integration with AIV and other financial surveillance. Work on the Integrated Policy Framework is progressing, including engagement with authorities and analytical work. Staff is working on a Board paper (SPR and MCM) on assessing integration of systemic risk analysis and macroprudential policy advice in AIV consultations. The paper will identify gaps and options to strengthen work in these key areas of macrofinancial surveillance.</p> <p>Additional commitments in the AFs:</p> <p>Analytical tools and frameworks: Development of a new database of macroprudential policy effects (SPR); Analytical tools to identify sources of systemic risk and map them to MPP advice (with</p>	In progress

		<p>SPR, 04/20); upgrade quantitative approaches to appraise global financial stability (e.g., indicator-based framework, GAR integration) from MCM FY2020 AF. Modernize FPP 2.0 integrating macrofinancial model with AD sectoral files (Department paper, with ICD, MCD, RES, WHD 07/20) from MCM FY2021 AF. See also MFP ke Department Paper on Macro-fiscal risks (FY2021 Q2) from EUR FY2021 AF.</p> <p>IEO recommendations follow up: MIP in response to IEO evaluation of Financial Surveillance (SPR, 8/19) includes actions and timelines to strengthen the IMF's financial surveillance work, including the commitment to include proposals in the CSR, in coordination with the FSAP Review, to better integrate FSAP findings in AIV consultations (BWP with SPR, ADs) in MCM FY2021 AF.</p>	
Make progress in the IPF to identify the range of approaches to the policy mix for members to deal with capital flows (FY2020).	MCM, RES, SPR, Area Depts.	<p>IPF and country experiences: Develop IPF for interactions between monetary policy, forex intervention, MPP, and CFMs (MCM, RES, SPR). Analytical work: Financial Stability and Endogenous Risk in an Open Economy (MCM Department paper, 03/21); Anatomy of Capital Controls: Choices and Consequences (MCM Department paper, 08/20); Trade-offs, Dynamics, and Interactions of MPP (SDN by MCM/RES/SPR, 07/20). Working papers describing models underlying IPF work (06/20). Further case studies (SPR with ADs). Initiatives in ADs include: APD commitment to assess effectiveness of country experiences, building on Oct 2019 REO analytical work (with MCM/SPR/RES)—see APD FY2021AF. See also IPF ke</p>	
Deepen the Fund's expertise in monetary policy as a response to the IEO report on IMF Advice on Unconventional Monetary Policies (Summer 2021).	MCM and SPR	<p>Commitments laid out in the AFs and the Management Implementation Plan in response to the Board-endorsed recommendations of the IEO report include:</p> <p>UMP Analytical work: Monetary Policy and Endogenous Risk (SDN, 04/20); Analyze challenges and policy options for the IMS, including high-level SNB conference; advance work on monetary and integrated policy modeling (as per MCM FY2020 AF). Follow up in MCM FY2021 AF Negative Interest Rate Policy (Department Paper 6/20); UMP (EB briefing 12/20); Components of a Playbook (EB briefing, 09/21); Distributional Effects of Monetary Policy (SDN with RES/SPR, 11/20). Reference to study on Distributional impacts of UMP (Q2) in EUR FY2021 AF.</p> <p>Jointly with MCM/LEG, develop analytical perspectives on central bank governance, with a</p>	In progress, some delays likely due to crisis

		focus on the implications of their expanded mandates since the global financial crisis (June 2020) in FIN FY2020 AF.	
Continue to pay attention to prioritizing macro-critical issues, including through the guidance note on social spending, in bilateral surveillance (FY2021).	SPR, Area Depts.	<p>Commitments in the AFs include:</p> <p>On social spending: Prepare GN on social spending along with a background paper on IMF engagement on pension issues (with SPR) (FY2021 Q4) in FAD FY2021 AF.</p> <p>On broader structural reforms: See SRG ke: Desks benefited from new analytical tools and training on macro-critical issues. Analytical tools RES analytical tool based on Oct 2019 WEO chapter 3 rolled out to enable desk simulations of structural reforms in (i) access to finance; (ii) labor markets; (iii) product markets; and (iv) governance. The training on macro-critical issues that ran through Nov 2019 covered (i) financial development, inclusion, and integrity; (ii) diversification and industrial policy in resource-rich countries; (iii) diversification and structural transformation in non-resource rich developing countries; (iv) the distributional impact of reforms; (v) fiscal-structural reforms; and (vi) labor and product market reforms.</p>	

D. Lending—Use of Fund Resources

Update on the steps taken by the Departments in response to the challenges posed by the pandemic (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Efforts to mitigate risks arising from COVID-19	SPR, FIN, all depts.	Risk mitigation has focused on emergency financing cases, with coverage of program risks now mandated in emergency financing request documents and an increased focus on appropriate use of Fund resources through independent audits of crisis mitigation spending and transparent procurement processes where governance and corruption are macro-critical issues. Work is ongoing in helping teams and authorities to implement the Debt Service Suspension Initiative (DSSI), including with participation in international meetings, drafting guidance, and responding to teams' questions. Preparing a report for the G20 that would update debt vulnerabilities and report on the uptake of the DSSI. Also see <i>Surveillance</i> for the Policy on Debt Limits and other debt-related analytical work.	In progress

Complete the Operational Guidance Notes for implementing the Review of Conditionality and Design in Fund-Supported Programs (RoC) recommendations (expected by end-2020).	SPR	Work had been underway on producing the Operational Guidance Note (end-2020) to implement RoC recommendations. However, implementation may be delayed by the disruptions caused by COVID-19.	In progress
Taking into account the extensive existing controls, consider making enhancements to the <i>ex ante</i> discussion of enterprise risks for large program and operational decisions. Incorporate guidance on including scrutiny of program baselines, <i>ex ante</i> enterprise risk assessment, and contingency planning in program request and review documents for large program cases (e.g. exceptional access cases) in the forthcoming guidance note implementing the recommendations of the RoC (expected by end-2020).	SPR	FRC has called for FIN, ORM, SPR, and LEG to consider proposals for conducting <i>ex ante</i> enterprise risk assessment for large and complex program cases.	In progress
Update the LIC Handbook to reflect the recommendations of the LIC Facilities Review (expected in 2020).	FIN, SPR	Work had been underway to update the LIC Handbook by Q1 2021 but the disruptions caused by COVID-19 are expected to lead to delays.	In progress
Incorporate guidance on strengthening analysis of institutional and political capacity to deliver program objectives on a realistic timetable, including guidance on Prior Actions, in the forthcoming guidance note implementing the recommendations of the RoC (expected by end-2020).	SPR	Work had been underway on producing the Operational Guidance Note (end-2020) to implement RoC recommendations. However, implementation is likely to be delayed by the disruptions caused by COVID-19.	In progress
Continue incorporating risk-based tools into policy work (ongoing), including	FIN	The 2019 Review of the Adequacy of the Fund's Precautionary Balances included a thorough analysis of financial risks to the Fund, especially in respect to	In progress

the forthcoming Precautionary Balances and Liquidity papers (ongoing initiative).		credit and income risks, and incorporated a risk-based approach in the projection of the pace of PB accumulation, which takes into account the methodology used for the 2019 Risk Report. It clearly articulated the sources of credit risks, including political and policy uncertainties, as well as the inclusion of market-based indicators to complement the discussion. The Board discussion on the adequacy of Precautionary Balances scheduled for March 2020 was postponed in light of significant changes caused by COVID-19 and is expected to take place before the summer.	
Continue leveraging interdepartmental risk-based inputs, including the Program Risk Index, in the context of the revamped Vulnerability Exercise (by end FY2020).	ORM, SPR	The Program Risk Index has consistently been an input into the Vulnerability Exercise and lending risks continue to be monitored through the Outlook for Potential Programs. Collaboration continues between ORM and FIN on further incorporating risk-based tools in upcoming policy papers. While the VE exercise has been undergoing some changes, the PRI remains an input into the process.	In progress
Complete the HR Strategy, with strategies to ensure sufficient pools and deployment of staff with adequate skill sets to meet current and	HRD, Depts.	See <i>Human Capital</i> .	In progress

E. Adequacy of Fund Resources

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Efforts to mitigate risks arising from COVID-19	FIN, LEG, SPR	Board approved doubling of NAB (1/16/20) and access to BBA beyond 2020 (3/30/20) to maintain current lending capacity. Underway: seek consent from NAB creditors and approvals from BBA creditors to secure readiness to activate borrowed resources; good progress on PRGT resource mobilization; pledges to replenish CCRT; and close monitoring of Fund resources with regular Board briefings.	In progress
Secure agreement on a package of resources and governance reforms (end-2019).	FIN, LEG, SPR	The Board approved a doubling of the aggregate size of the NAB with a new NAB period through end-2025, effective 1/1/2021, and work is underway to secure the consents of NAB participants. The Board of Governors adopted the resolution of concluding the 15 th General Review of Quotas	Complete

		(Review) with no quota increase and a request for conclusion of the 16 th Review no later than December 15, 2023. Preparations of the annual update of quota database and the ground for initiating discussions on the 16 th Review are underway.	
Secure agreement on a new round of temporary bilateral borrowing (FY2020).	FIN, LEG, SPR	The Board approved a new framework for maintaining the Fund's access to bilateral borrowing agreements (BBAs) through end-2024. Work is underway with each creditor to secure approval and effectiveness of the 2020 bilateral agreements by January 1, 2021.	Complete
Further strengthen the risk-based approaches to assess the adequacy of Fund resources, including in the paper on Review of the Adequacy of the Fund's Precautionary Balances loss-absorption capacity (February 2020), and the Fund's Liquidity Position Review and Outlook (by end-2019).	FIN, ORM, SPR	<p>The 2019 Review of the Adequacy of the Fund's Precautionary Balances included a thorough analysis of financial risks to the Fund, especially in respect to credit and income risks, and incorporated a risk-based approach in the projection of the pace of PB accumulation, which takes into account the methodology used for the 2019 Risk Report. It clearly articulated the sources of credit risks, including policy uncertainties, and presented market-based indicators to complement the discussion.</p> <p>The incorporation of the risk-based approach into the paper on the Fund's liquidity position was not implementable before the 2020 April Liquidity Review, in view of the challenges that the extraordinary COVID-19 and market shocks posed for key inputs of the interdepartmental Outlook-for-Potential-Programs (OPP)-based analysis. The incorporation of risk-based approach is expected to resume in the 2020 October Liquidity Review.</p>	In progress Some delays due to crisis (see <i>Update</i> column for details)
Make further progress in strengthening GFSN and aligning the Fund's lending toolkit with the membership's needs and challenges, including the test runs and other engagement with RFAs on practical issues about collaboration (August 2020).	FIN, LEG, SPR	Continue to explore ways to strengthen the GFSN, including by enhancing the Fund's collaboration with RFAs; continue to assess the adequacy of the Fund's toolkit in the wake of the COVID-19 outbreak. In this regard, the Board approved increased access limits under the RFI/RCF and the Short-term Liquidity Line (SLL) as a new facility.	In progress, Complete: RFI/RCF (4/6/20) and SLL (4/15/20)
Ensure careful monitoring of the implementation of the policies to ensure the adequacy of lending resources (by end FY2021).	FIN, ORM, SPR	Review of the development of demand for GRA resources, including the part affected by policy changes has been conducted through the Fund's Liquidity Position Review and Outlook; the review of the same development for PRGT resources is planned in the review on the adequacy and self-sustainability of PRGT resources for FY2021Q2. In light of the COVID-19, part of the review of PRGT	In progress

		adequacy was advanced through other venues, and resources mobilization is underway. Higher access levels through emergency financing facilities for six months were proposed and approved, with the impact analyses on GRA and PRGT resources conducted in the relevant policy proposals. Staff from FIN/SPR is providing periodic briefings to the Board on GRA and PRGT resources.	
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F. Capacity Development

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Risks that have emerged or materialized since 2019 Risk Report—COVID-19	All Depts	Reflecting the rapid deployment of programs and prioritization of policy advice to members on responding to the economic fallout of COVID-19, CD continuity was ensured with swift adaptation of delivery modalities and a realignment of thematic TA with crisis needs. Fundraising drives are underway to supplement the liquidity that has been deemed adequate for covering expected CD delivery in FY2021 but may face residual uncertainty over the medium term. Mitigation has made good progress along the lines of the risk report and some key elements that are also evident in responding to the crisis include further attention to CD-SRV/UFR integration, sharper guidance on engagement strategies, the development and use of diagnostic tools that bridge into policy implementation and operational advice, and a series of focused COVID-19 notes prepared by experts in functional departments to support their country teams. In spite of initial staff flexibility, there is a residual risk from the intensity of program design and review assignments that are stretching available resources, and a degree of uncertainty regarding the connectivity of CD recipients under lockdown and access to IT infrastructure.	In progress
Implement CDMAP to facilitate more efficient administration of CD, support better integration of CD, surveillance and lending, and support strategic reporting and decision-making through more comprehensive,	ICD, with Depts.	<u>As discussed in the RR19:</u> ICD is leading inter-departmental work to clarify the data structure and corresponding definitions for better monitoring and reporting. Progress was reflected in the template for the most recent medium-term RAP exercise. Knowledge management progressed with more TA reports posted on KE sites. CDMAP is expected to	In progress

<p>better quality and timely information on CD, and better tools for planning, budgeting, and results analysis (FY2020–22).</p>		<p>address data issues by eliminating fragmentation and improving quality and management.</p> <p>Additional commitments in the AFs:</p> <p><u>FAD FY2020 AF</u>: Advance CD knowledge sharing, including by providing staff (and external stakeholders) with more systematic and efficient access to CD recommendations (with ITD and ICD).</p> <p><u>ICD FY2021 AE</u>: Support strategic reporting and decision making through comprehensive, better quality and timely information on CD. Governance Agenda includes the development and dissemination of a consolidated handbook for staff on CD governance that codifies and updates existing policies and practices (FY2021 Q1). Manage the design and implementation of the program to harmonize and strengthen CD management and administration (CDMAP): (i) complete releases 1 and 2 including harmonized processes and roll-out of the supporting IT solution across the Fund, in collaboration with ADs, CDDs and support departments (FY2021 Q4); (ii) coordinate with other “big five” transformation programs, including the 1HR, Digital Workplace and Knowledge Management Programs, to ensure alignment of objectives, minimization of overlaps and identification and management of inter-dependencies (ongoing); and (iii) ensure that the execution of CDMAP’s change management strategy is consistent with the Change Management Unit’s approach to ensure staff adoption and lasting impact of key modernization programs (ongoing).</p>	
<p>Strengthen implementation of RBM and evaluation framework, drawing lessons to inform prioritization and project design (FY2021).</p>	<p>ICD, with Depts.</p>	<p>RBM data are being compiled as an input for CD monitoring and evaluation; the initial RBM catalogue was adopted, initial staff training was completed, and processes/systems are in place. Ongoing work is underway to draw lessons from early experience and to support greater use of RBM as a tool to strengthen CD and surveillance integration. An update to staff guidance is being prepared and the RBM catalogue is being reviewed for improvements to further support RBM implementation and a country-focused CD delivery approach. CDMAP will also play an important role in supporting expanded accessibility of RBM information through user-friendly interfaces and dashboards. Implementation of the Common Evaluation Framework, which strengthens and harmonizes CD evaluations and helps inform CD delivery, will be reinforced by forthcoming operational guidance currently in development</p>	<p>In progress</p>

Make progress in integrating CD and surveillance (FY2020-21), identifying and mainstreaming good practices, including through increased emphasis on country strategies, and improved IT platforms to facilitate easier integration.	ICD, with Depts.	A mid-point update on the interdepartmental exercise on integration was provided to management in February, which reflected on emerging best practices and challenges to integration. ICD discussed issues around CD-surveillance integration at the Board in February, with the Board recognizing progress to date and reaffirming the importance of further efforts. Individual area departments continued to mainstream integration efforts – both MCD and APD discussed these in the context of updates to the Board. Reflecting the suspension of surveillance activities and emerging priorities in response to the crisis, resources have been temporarily diverted towards other areas	In progress (Complete: mid-point update, February 2020)
Continue to address risks associated with donor funding, notably through (i) extending improvements to RCDC monitoring, planning, and reporting, and HR processes (FY2020); (ii) pursuing efforts to determine the knock-on effect of donor financing on the IMF budget and scaling up cost recovery; and (iii) extending dissemination of TA reports in externally financed CD projects (FY2020).	ICD, with Depts.	Efforts continue to mitigate risks associated with donor funding to support Fund-wide CD. Partnerships have been strengthened by deepening and diversifying the partnership base, including by increasing the share of funding going to multi-partner vehicles and by seeking umbrella and longer-term agreements, in coordination with area and functional departments. Dedicated funding related to the COVID-19 crisis will be sought to align funding with an anticipated adjustment in CD workplans. Work continues on automating the dissemination of TA Reports through Partners Connect and strengthening RCDC governance (with Departments), including budgeting/planning, monitoring/reporting, and HR processes. Attention continues on maintaining and enhancing control processes supporting the management of external financing, and a review was completed on the model of CD external funding which explored flexible funding modalities to ensure full financing of approved CD activities and cross-cutting initiatives.	In progress

G. Human Capital

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Take steps to mitigate emerging morale and motivation risks from Fund business and public policies to limit the	HRD	Temporary adjustments to leave policies and flexible work arrangements, including: allowing remote work outside the duty station for a limited period; suspending the 15-day minimum annual leave usage requirement; carrying over of all unused leave into FY2021 (excess annual leave will not be converted to	Complete

spread of COVID-19 (e.g., travel restrictions).		sick leave) ; waiving the home leave minimum stay requirement in the event of travel restrictions; allowing alternative home leave destinations due to travel restrictions or for health reasons; extension of the home leave entitlement period by 6 months if 48-month period lapses during crisis period; extending family care Leave from five to 15 days; and inviting requests to extend the nine month limit for use of parental leave.	
Take steps to mitigate emerging recruitment and retention risks from Fund business and public policies to limit the spread of COVID-19.	HRD	Temporary adjustments to policies, practices, and guidance including virtual onboarding new hires effective March 23, 2020; exploring with candidates issued start dates the possibility of starting in later and stipulating that candidates unable to get G4 visas and/or travel to HQ will be expected to telework from their home country.	Complete
Take steps to mitigate emerging work pressures and agility and allocation risks from increased demand for Fund services.	HRD, OBP, HoDs	Management successfully requested a temporary, one-time increase in the carry-forward from three to five percent to support immediate crisis response needs. Several new mechanisms were approved by management on April 3, 2020, to help reallocate resources to business units facing elevated work pressures: a voluntary resource-sharing exchange; an extension by three to six months of those contractual employees who reach their four year term between April and June; and the rehire of retirees and other separated staff in select cases.	Complete
Operationalize strategic workforce planning for all career streams by FY2021 that includes regular and recurring (i) analysis of skills gaps; (ii) identification of emerging, critical skills, and areas of expertise; (iii) assessment of how future retirements and diversity shape needs. Complete talent inventory for fungible macroeconomists by FY2020, and for all career streams (FY2021) and (iv) improved succession planning to mitigate key person risks, including for non-managers and overseas staff, consistent	HRD (with Depts.)	HRD is developing an action plan for roll-out of strategic workforce planning using the economist career stream as a pilot that includes skill gap analysis as well as emerging critical skills. The supporting interim Talent Inventory for macroeconomists is being refined and will be ready for rollout by FY2021 Q2 in tandem with the macroeconomist mobility framework. HRD has also upgraded and updated its projections of separations and retirements in the context of D&I and talent acquisition and has incorporated this framework into Workforce Analysis by job function/family. A review and analysis for all job functions in the Fund has been completed; a second round of analysis and projections by job function is well underway and has covered more than 50 percent of staff headcount. Ongoing work will include alignment with the work of the Job Family and Career Framework (JFCF) and enhanced focus on position management and integration of budget assumptions. The succession management framework is being implemented. B3 Talent Reviews are in place; B4 and B5 succession planning activities are underway.	In progress

with the Fund's D&I objectives.			
Create a comprehensive onboarding program for new and existing staff, including job transition planning and requirements, to complement existing, department-specific onboarding activities (FY2020-21).	HRD (coordinating with Depts.)	Incremental improvements have been recorded in the bi-weekly first day briefings (onboarding), as well as the bi-annual Orientation program. HRD effort was targeted at strengthening the first-day briefings—arrangements were finalized with CSF to dedicate the afternoon to taking photos for Fund ID cards which are provided the same day as opposed to three days. In addition, arrangements were also finalized with ITD to ensure that all computer hardware supplies were made available to the new employees by the next day once their staff records were approved in PeopleSoft.	In progress
Develop a proposal for annual staff Code of Conduct certification and affirmation (end-FY2020).	HRD	HRD and the Ethics Office have agreed on the high-level proposal. Implementation details are to be coordinated with 1HR.	Complete: proposal
Implement the HR Strategy and 1HR successfully (FY2020-21), including strategies to ensure sufficient pools and deployment of staff with adequate skill sets to meet current and future demand and complexity of UFR, in line with the findings and recommendations of the RoC (FY2021).	HRD, HoDs, Steering Committees	The EPM was launched for FY2020 but the Annual Talent Management Exerciser (ATME) was abbreviated due to COVID-19. The JFCF has been introduced and implementation activities are underway. However, with reprioritization due to COVID-19, HRD communication is being delayed. The career framework for fungible macroeconomists approved by management in April 2020 aligns the fungible macroeconomist career framework with the Fund's strategic priorities and needs of the institution.	In progress
Ensure that the design of the CCBP is informed by and is addressing the identified risks and manages the risks it creates (FY2020).	HRD, Steering Committees	The Comprehensive Compensation and Benefits Review (CCBR) proposal was approved in December 2019. CCBP implementation progressing in phases. Continuing discussions with various stakeholders (HRD/TR, FIN, LEG, OBP, 1HR) and consultations with external consultants and actuaries. All reforms to be effective by May 1, 2021.	Complete
Continue to ensure that concurrent HC initiatives are all carefully managed and implemented (FY2020-21).	HRD, HoDs, Steering Committees	Implementation is in progress but of the next launch Release1 (R1) and Release2 (R2) will be delayed relative to earlier timelines in party to fully incorporate testing. The first of the three-phase launch of 1HR (Release 0) has been successfully completed with the replacement of My Enquiry with MyHR as the HC case management system. The team is preparing for testing ahead and planning for the final phase R2 (See also Information Technology). Discussions ongoing between HRD, 1HR, FIN, LEG and OBP on tracking initiatives to ensure effective management and timeliness. HRD is also working closely with COM on various communications on HR	In progress

		priorities and with CMU for change management related to the modernization agenda.	
Implement measures identified in the 2019 Diversity and Inclusion Report to improve recruitment, retention, and the development and promotion of diverse talent.	HRD, D&I Office, with Depts.	Some progress was made in CY 2019, but the implementation of several D&I initiatives has been postponed to the Fall. The Mid-Career panel process was further modified in Q3 of FY2020 to establish three open enrollment rounds in October, April, and September for candidates on a global level, including candidates from the URR missions. The first round of candidates from this revised process was cleared by the Economist Committee in April 2020. A departmental diversity action plan template has been developed and the 2025 benchmark working group completed an in-depth analysis. Staff still hope to launch the 2025 benchmarks in the first half of FY 2021.	In progress, some initiatives delayed to the Fall 2020

H. Information Security

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Extending information security policies to OED personnel (FY2020).	ITD, LEG, SEC, with ORM	The meeting with the CAM was initially set aside, but efforts resumed in May.	Delayed
Restoring cyber threat intelligence capability (FY2020).	ITD	Operational threat intelligence will be outsourced in the MSP transition program however this does not constitute the restoration of a cyber threat intelligence capability, which would seek to discover specific threats to critical business processes or assets.	Not in progress
Implementing insider threat monitoring (FY2021).	ITD	ITD does not have the capacity to support an insider threat monitoring program.	Not in progress
Implementing a new PAM system to reduce unauthorized access risks, particularly for third-party support services (FY2021).	ITD	As part of the Identity and Access Management (IAM) program, Privileged Access Management (PAM) Service Expansion was completed in FY2020. It improves security posture by controlling and recording privileged access to sensitive data and systems and developed account lifecycle, policies, and standards. The next part of the PAM project will replace the PAM tool, implement the PAM service expansion framework, and migrate privileged accounts to the new system. It will be completed during FY2021.	In progress

Improving security logging and monitoring tools (including monitoring of third-party service providers access to Fund systems) (FY2021).	ITD	Migration from ArcSight to new application will be completed by end-FY2020, Solution will be optimized over following year; project has been rebased to finish by FY2022 Q1.	In progress
Implementing new IAM governance and deploy replacement tool to reduce unauthorized access risks and improve information accessibility, including in support of modernization projects (FY2022).	ITD	The IAM Business Processes and Governance project has been completed. The next phase will replace the Enterprise Provisioning system and is on track for completion in FY2022 and is being phased to support the 1HR project releases.	In progress
Training and awareness program, including for CJs handling (ongoing initiatives).	ITD (with Depts.)	In person Crown Jewels (CJs) training for all departments is ongoing, 54 percent of users have completed the course. The remaining personnel will be able to take an online course.	In progress
Implementing IS roadmap activities, subject to funding approval (FY2024).	ITD with Depts. (for CJs handling and enforcement)	An update was presented to the Board in January, which shortened the schedule to end-FY2023 and lowered the total estimated costs. However, capacity constraints in ISG, the COVID-19 outbreak, and the ITD reorg have delayed the start of the projects by six months and extended the end date to Q2 FY2024.	In progress (some elements delayed)
Deploying a Digital Rights Management (DRM) solution to ensure proper classification, labelling, and usage of CJs, subject to funding approval (FY2024).		Since the January 2020 Board briefing, the timeline has been revised to FY2021–24. This project was combined with the Data Loss Prevention (DLP) project under the name Data Leakage Reduction Project and will be referred to as such going forward.	Delayed
Deploying DLP solution to guard against unauthorized disclosure of CJs, subject to funding approval (FY2024).		Since the January 2020 Board briefing, the timeline has been revised to FY2021–24. Project start will be delayed, but some DLP capabilities will be embedded into modernization and other cloud applications. This project was combined with the DRM project under the name Data Leakage Reduction Project and will be referred to as such going forward.	Delayed

I. Technology

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Ensure that risk management considerations are reflected and communicated in large IT capital project major milestones (ongoing).	CBIT, CMU, ITD, PMO, PMs	The PMO flagged enterprise risks in their bi-annual report on modernization projects to the board. The modernization and MSP transition programs have worked with ORM to embed a risk management tool and reflect risk considerations at the Cost-benefit Analysis (CBA) stage and for ongoing risk monitoring. IDW CBA is scheduled for Q1 FY2021. CMU has supported the process with each of the modernization projects.	In progress
Implement a Third-party Risk Management (TPRM) function to identify risks at procurement stage and continuous monitoring of residual risks (FY2021).	CSF, FIN, ITD, LEG, OBP	Phase I of the pilot is completed and assessments at procurement are underway. The team is adding resources to expand the number of assessments at procurement phase and create residual risk plans. CSF is leading the TPRM Phase II working group, which will design a process to monitor ongoing vendor risks (post contract award), create a methodology, and define roles and responsibilities. The proposal will be ready for FRC discussion in Q1 FY2021.	In progress
Mitigate risks to the Fund from commercial data copyright compliance risk (deadline to be determined)	CSF, ITD, LEG, OBP, STA	New mitigation direction (relative to RR19): A review of commercial data services and applications have been completed and priority areas have been identified. Main risks stemming from such violations are legal, financial (both from potential legal settlements and the cost of implementing new technologies to ensure copyright compliance), reputational, and possible disruption to core activities as vendors can switch off services (almost immediately). For smaller, less “staple” vendors, there is also a risk to information security.	In progress

J. Physical Assets

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Risks that have emerged or materialized since 2019 Risk Report—COVID-19	All Depts	New mitigation direction (relative to RR19). CSF AF commitment to maintain staff safety and secure workplaces globally, notably by leading Fund-wide response to COVID-19 in the context of the	In progress

		Crisis Management Team (CMT) (with OMD, HRD, COM, ITD, and SEC, for Q1-Q2 FY21).	
Formally establish and document the criteria/requirements for pre-employment screening for each employment category, taking into account the RASs as well as leading and comparator practices (recommended by OIA, by end FY2020).	HRD	This is being reviewed and considered as part of the rollout for the 1HR Release 1 for the Talent Acquisition process. Several factors are being considered/reviewed such as compatibility issues with Workday of vendor packages beyond TALEO.	In progress
Improve recruitment strategy, succession planning, and key person risk mitigation (FY2022) (See Annex II)		Subsumed in <i>Human Capital</i> risk mitigation section	
The ongoing implementation of major initiatives for the Global Real Estate strategy, among other purposes beyond risk mitigation could help enhance the overseas real estate service and management (by mid-FY2021).	CSF	Global real estate services include: (i) location strategy and planning; (ii) portfolio management and lease administration; and (iii) site selection, lease negotiation; (iv) field office design, interior fit-out, and project management; and (v) domestic and international real estate partner/vendor management. <u>CSF FY2020 AF</u> indicated: with the aim of enhancing efficiency and field security, the next stage of the GRE strategy, focusing on lease administration and technology, and a reshaped model for the provision of residential services, would be implemented through FY2020, adding in the <u>CSF FY2021 AF</u> that the bid for service delivery at field offices would be concluded in Q2. Strengthening Environmental Health and Safety (EHS) Program at field office locations (<u>CSF FY2021 AF</u> , scheduled for Q3) is underway.	In progress
Develop contingency plan for key vendors, particularly when a single provider is used for critical services and/or products. Include a regular vendor concentration review and evaluation as part of the TPRM framework (by FY2021) (see also <i>Operational Resilience</i>)	CSF	<u>CSF FY2021 AF</u> : Implement the TPRM governance structure and establish a TPRM Unit responsible for strengthening pre-contract risk assessments and post-contract risk and vendor management practices, working closely with FIN, ITD, LEG, and ORM (originally scheduled for Q1). CSF is leading the TPRM continuous monitoring working group, which will design a process to monitor ongoing vendor risks (post contract award), create a methodology, and define roles and responsibilities.	In progress
Strengthen controls for identity verifications in the	CSF	<u>CSF FY2021 AF</u> : Update HQ building access guidelines and strengthen badge activation/deactivation protocols (Q3 FY2021).	In progress

badge activation and deactivation process.		Workday will have integrations with the new Identity and Access Management (IAM) system (Saviynt). The IAM system at any time will know the current status of all Fund employees and their dependents.	
Develop an organizational mental health strategy and education program to increase mental health awareness and improve staff wellbeing (by FY2020).	Task force led by HSD and mediator	<p>The COVID-19 outbreak has raised disruptions to mission travels to all countries and concerns about staff health and wellbeing. The Fund's Crisis Management Team is monitoring developments and advising staff.</p> <p>The Mental Health Strategy Task Force has been established to develop a mental health improvement plan. The task force collaborates with ORM to seek solutions to reduce related risks.</p>	In progress

K. Operational Resilience

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
In light of travel restrictions resulting from COVID-19, increase staff awareness of available VTC facilities and collaborate with ITD to strengthen support (FY2021 Q1).	CSF, ITD	Coordinated by the CMT.	Complete
Lead Fund-wide response to the COVID-19 in the context of the CMT (FY2021 Q1-Q2).	CSF, CMT	The CMT was activated on January 27, 2020, and met twice weekly until April 28, 2020, and weekly thereafter.	In progress
Strategy: based on the lessons learned from the OMD and HoDs exercise, continue to make progress in developing a long-term risk mitigation strategy for operational resilience aligned with institutional risk acceptance (FY2020-21).	CSF (with Depts.)	Some progress was made in the Resilience Program Team (RPT) during CY2019 on OR Strategy that has been integrated into the current crisis response, including the new OR Policy and Priorities. Risk mitigations under the RPT have been on hold during most of the time the Fund has been on emergency operating status, as the RPT and CMT secretariats are the same, small Fund staff team. A COVID-19 OR lessons learned exercise is planned for the future and groundwork to support the effort is already underway.	In progress

Formulate an approach to mitigate regional risk concentration, consistent with the overall operational resilience strategy (FY2020).	CSF, ITD	The successful relocation of the Business Continuity Center will be followed by the capabilities' migration to the cloud.	In progress
Upgrade field office security and business continuity practices, ensure timely risk reporting, and enhance testing, training, exercises, communication on, and compliance with, security policies and training (FY2020-21).	CSF	Expanding use of the new Operational Resilience tool (Fusion) to strengthen compliance with security standards and protocols in field offices, in collaboration with departments, to mitigate risks identified in 2019 Risk Report (FY2021 Q1) and develop a new Personal Security for Travelers Course exploiting interactive technologies (FY2021 Q3). As part of the Field Security Compliance initiative, a survey will be administered in FY2020 Q3, including operational resilience questions for overseas locations.	In progress
Conduct a capacity needs assessment under the new Operational Resilience Priorities and propose options for securing the necessary backup facility seats (FY2020).	CSF, RPT	Operational resilience mitigations under the RPT have been on hold during most of the time the Fund has been on emergency operating status, as the RPT and CMT secretariats are the same, small cadre of Fund staff.	Delayed
Complete gap analysis to identify requirements for successfully completing Operational Resilience Priority 1. Use gap analysis results to propose a work program that includes responsibilities, milestones, and attendant costs (FY2020).	CSF, OBP, RPT	Although some progress was made on the gap analysis during CY2019, the RPT's work on operational resilience risk mitigation has been on hold during most of the WFH period due to resource constraints.	Delayed
Develop and launch branding and communications program around Operational Resilience and establish Senior Resilience Officer roles, responsibilities and appointments with HRD. (FY2021 Q3-Q4).	CSF	Work on branding began April 2020.	In progress

L. Financial Assets and Income

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Efforts to mitigate risks arising from COVID-19	FIN, LEG, ORM	Work on the review of Precautionary Balances is being updated to evaluate the impact of COVID-19 on Fund's risk buffers. Close monitoring and assessing financial risks, with timely presentations to the Board (including the quarterly Risk Updates, monthly financial risk tables and topical notes). ORM provide timely inputs for <i>ex ante</i> discussion of financial risks in program request documents.	In progress
Taking into account the extensive existing controls, consider making enhancements to the <i>ex ante</i> discussion of enterprise risks in program request documents for large program cases (e.g. exceptional access cases) to facilitate timely shared understanding of risks and mitigation needs (see <i>Use of Fund Resources</i>).	FIN, ORM, SPR	FRC has called for FIN, ORM, SPR, and LEG to consider proposals for conducting <i>ex ante</i> enterprise risk assessment for large and complex program cases.	In progress
Strengthen analysis of institutional and political capacity to deliver program objectives on a realistic timetable, including guidance on Prior Actions in the forthcoming Operational Guidance Notes on the <i>Review of Program Design and Conditionality</i> (expected by end-2020, see <i>Use of Fund Resources</i>).	SPR	Work had been underway on producing the Operational Guidance Note (end-2020) to implement RoC recommendations. However, implementation is likely to be delayed by the disruptions caused by COVID-19.	In progress
Building on existing practices and tools, explore a way forward to present assessment, monitoring, and mitigation of financial risks, including credit risk, in a timely (and as needed, for example in the context of high-impact program requests) and in a self-contained and consolidated format to increase transparency and shared awareness of financial risks	FIN, ORM, SPR	A set of tables providing key information on current active Fund supported arrangements, members' credit outstanding, and credit risk buffers have been shared with the Executive Board on a monthly basis.	In progress

and facilitate timely risk mitigation (FY2021).			
Formulate an approach to strengthening the framework to mitigate the conflicts of interest pertaining to the Fund's investment activities (expected by end-2020).	FIN, ORM, OIA	Work has progressed further largely along the lines of the recommendations of the external counsel to enhance the role of the Designated Officer and of the Investment Oversight Committee's procedures for identifying and documenting the absence or resolution of conflicts of interest. Work is expected for completion by (end-2020).	In progress

M. Reputation

Update on the steps taken by the Departments in response to the challenges posed by the pandemics (in addition to the measures outlined in the 2019 Risk Report)

Mitigation Direction	Risk Custodians	Update	Status
Continue to strengthen strategic communications, extend to support stakeholder engagement and relations in the field via various channels (such as social media, etc.) (FY2020).	COM, Area Depts.	<p><u>MCD FY2021 AF</u>: Engage external stakeholders to mitigate risks to reforms in politically difficult settings.</p> <p><u>EUR FY2021 AF</u>: Strengthen communication and outreach for stakeholder engagement. (FY2020 AF: Refocus REO to cover all Europe; explore modalities to disseminate messages; prepare a second survey of member countries on EUR's engagement).</p> <p><u>COM FY2021 AF</u>: Continue to build the capacity of mission chiefs and Res. Reps to communicate effectively.</p> <p>Specific communication strategies in field operations need to be considered.</p>	In progress, extended into FY2021
Taking into account the extensive existing controls, consider enhancements to the <i>ex ante</i> discussion of enterprise risks in large program cases to include other stressors such as elections; develop a clear communication strategy for program countries (FY2020).	COM, SPR, Area Depts.	<u>COM FY2021 AF</u> : bring outside perspectives, including political economy considerations, to the review process, particularly in program countries and fragile states, through internal events and the intranet. Closely monitor external developments that may impact the Fund's reputation, and work with departments to develop mitigating strategies. Map external stakeholders in key countries, including in program countries to inform the development of targeted outreach strategies	In progress, extended into FY2021
Review of HR policies for local staff in field offices to reduce reputational risks (FY2020-21)	HRD	Implementation of the new Compensation System (FY2021 Q1-Q2); align annual, sick and parental leave policies with HQ-contractual staff and strengthen medical insurance benefits for implementation in January	In progress
Continue to implement reforms to financial	FIN	<u>FIN FY2021 AF</u> : Jointly with other departments, continue the implementation of Corporate Banking	In progress

management in field offices and phase out personal bank account used for Fund business (FY2021).		Solutions and further address OIA recommendations regarding overseas presence (throughout FY2021).	
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Annex I. Risk Definitions

Risk Area	Risk Definition
Strategic Risks	
Strategic Directions	Risk of members not supporting the global policy agenda and strategic choices of the Fund, inherent to its mandate.
Medium-Term Budget	Risk that medium-term budgetary envelope and allocation is not properly aligned to ensure the delivery of the institution's priorities, as operationalized in the Work Program.
Policies and Decisions	Risk that the Fund's policies are designed in a manner inconsistent with the Articles, and/or that specific decisions are inconsistent with the legal and policy framework.
Core Function Risks	
Surveillance	Risk of missing states of the world that could have material impact on the soundness of policy advice, possibly with implications for demand for or supply of resources and/or Fund's reputation.
Lending: Use of Fund Resources	Risk that program design and conditionality do not result in viable outcomes for the members, with adverse implications for them and the revolving nature of Fund resources.
Lending: Adequacy of Fund Resources	Risk that Fund resources are not sufficient to provide adequate financing to its members, and thus, support the fulfillment of its mandate.
Capacity Development	Risk that capacity development delivery is misaligned vis-à-vis emerging risks and the Fund's strategic objectives.
Cross-Functional Asset Risks	
Business Continuity	Risk that business is disrupted, or critical data or assets are lost or not available when needed, due to significant internal or external events.
Human Capital	Risks to the Fund's ability to implement its strategic direction associated with its human capital.
Information Security	Risk of not maintaining the security, confidentiality, integrity, and accessibility of Fund data and other information to support its operations, including vulnerability to cyber attacks.
Technology	Risk of not implementing and maintaining the availability and reliability of, appropriate technology to support efficient and effective conduct of Fund operations.
Physical Assets	Risk of not protecting physical assets, including office premises, from loss, damage, or deterioration relative to the objective of providing an optimal physical environment for efficient and effective conduct of Fund operations.
Financial Assets and Income	Income and investment risks that could result in financial loss for the Fund.
Reputation	Risk that Fund's stakeholders take a negative view on the institution or its actions, resulting in damage to the Fund in terms of loss of credibility and traction, effectiveness, and/or other adverse resource or operational implications.

Annex II. Risk Mitigation Directions (2019 Risk Report)

This Annex presents a summary of risk mitigation directions, approved by the Board during the discussion of the 2019 Risk Report. More detailed risk mitigation directions were published in the relevant sections of the 2019 Risk Report—Background Paper.¹ Departments subsequently translated these risk mitigation directions into concrete actions incorporated into their FY2021 Accountability Frameworks approved by Management.

Table All.1. Risk Mitigation Directions: Scorecards Summary	
Medium-Term Budget (<i>Background Paper, Section A.</i>)	Risk Custodians
Improve risk-based measurements of resource allocation (FY21)	OBP, ORM
Continue to incorporate risk considerations into budget planning (FY21)	OBP
Align presentation of the budget papers with FTFs (FY21)	OBP
Implement modernizing and streamlining initiatives, assessing risk impact (ongoing)	OBP, Depts.
Strengthen the capital investment framework (FY20)	CBIT, OBP
Strengthen the use of TRACES for more accurate and comprehensive monitoring (FY20)	OBP
Policies and Decisions (<i>Background Paper, Section B.</i>)	Risk Custodians
Make use of eReview broader, more consistent, transparent, and comprehensive (FY21)	SPR, Depts.
Track review activity that takes place offline (FY21)	ORM, SPR
Ensure recording of each stage of the review and clearance process (FY21)	All Depts
Recognize impact of reviewing large/complex program cases on budget resources (FY21)	OBP, SPR
Strengthen use of TRACES for more accurate and comprehensive monitoring (FY21)	OBP
Align record of the Fund's output and underlying input with the FTFs (FY20)	OBP
Surveillance (<i>Background Paper, Section C.</i>)	Risk Custodians
Address forecast optimism and inefficiency (FY21)	ICD, KMU, Depts., ORM, RES, SPR
Safeguard sound, transparent, and consistent external sector assessments (FY22)	RES, SPR
Make progress with the Joint WB-IMF Approach to address debt vulnerabilities (FY21)	SPR
Provide a unified framework for assessing traction through the CSR (FY20)	SPR
Strengthen analysis on financial and macrofinancial issues in Article IV reports (FY20)	MCM, SPR, ADs
Identify flexible approaches to deal with capital flows through IPF (FY20)	MCM, RES, SPR, ADs
Deepen the Fund's expertise in monetary policy (FY21)	MCM, SPR
Prioritize macrocritical issues in bilateral surveillance (FY21)	SPR, ADs
Lending: Use of Fund Resources (<i>Background Paper, Section D.</i>)	Risk Custodians
Complete Operational Guidance Notes for implementing RoC recommendations (FY21)	SPR
Consider enhancements to <i>ex ante</i> enterprise risk assessment for large financial and operational decisions (FY21)	SPR
Update LIC Handbook to reflect LIC Facilities Review (FY21)	FIN, SPR,
Provide guidance on analysis of institutional and political capacity (FY21)	SPR
Continue to incorporate risk-based tools into policy work (ongoing)	FIN
Continue to leverage interdepartmental risk-based inputs in the VE (FY20)	ORM, SPR
Complete the HR Strategy to ensure sufficient skills and staff deployment (FY21)	HRD, with Depts.

¹ Table All.1, 2019 Risk Report.

Lending: Adequacy of Fund Resources (<i>Background Paper, Section E.</i>)	Risk Custodians
Secure agreement on a package of resources and governance reforms (end-2019)	FIN, LEG, SPR
Secure agreement on a new round of temporary bilateral borrowing (FY20)	FIN, LEG, SPR
Strengthen risk-based approach to the adequacy of Fund resources (FY20)	FIN, ORM, SPR
Further engage with RFA on practical issues about collaboration (FY21)	FIN, LEG, SPR
Monitor policy implementation for adequacy of Fund resources (FY21)	FIN, ORM, SPR
Capacity Development (<i>Background Paper, Section F.</i>)	Risk Custodians
Strengthen comprehensiveness, quality, and timeliness of CD data (FY22)	ICD, with Depts.
Expand RBM and evaluation to inform strategic decision making and impact (FY21)	ICD, with Depts.
Integrate CD and surveillance, identifying and mainstreaming good practices (FY21)	ICD, with Depts.
Continue to address risks associated with donor funding (FY20)	ICD, with Depts.
Table All.1. Risk Mitigation Directions: Scorecards Summary (Concluded)	
Human Capital (<i>Background Paper, Section G.</i>)	Risk Custodians
Operationalize strategic workforce planning for all career streams (FY21)	HRD
Create a comprehensive onboarding program (FY21)	HRD, with Depts.
Develop a Code of Conduct staff certification and affirmation (FY20)	HRD
Implement the HR Strategy and 1HR successfully (FY21)	HRD, HoDs, SCs
Ensure CCBR design is informed by risks and addresses them, including risks it creates (FY20)	HRD, SCs
Ensure concurrent HR initiatives are carefully managed and implemented (FY21)	HRD, HoDs, SCs
Implement the 2019 D&I Report actions, advance Fund diversity & inclusion (FY21)	HRD, D&I, Depts.
Information Security (<i>Background Paper, Section H.</i>)	Risk Custodians
Extend information security policies to OED personnel (FY20)	ITD, LEG, SEC, with ORM
Restore cyber threat intelligence capability (FY20)	ITD
Implement insider threat monitoring (FY21)	ITD
Implement new PAM system to reduce unauthorized access risks (FY21)	ITD
Improve security logging and monitoring tools, including for third party service providers (FY21)	ITD
Implement new IAM governance and deploying replacement tool (FY22)	ITD
Training and awareness program, including for CJs handling (ongoing)	ITD, with Depts.
Implement IS roadmap activities, subject to funding approval (FY24)	ITD, with Depts.
Deploy Digital Rights Management (DRM) solution, subject to funding approval (FY24)	ITD
Deploy Data Loss Prevention (DLP) solution, subject to funding approval (FY24)	ITD
Technology (<i>Background Paper, Section I.</i>)	Risk Custodians
Reflect risk considerations in IT capital project milestones (ongoing)	CBIT, CMU, ITD, PMO, PMs
Implement TPRM function (FY21)	CSF, FIN, ITD, LEG, OBP
Physical Assets (<i>Background Paper, Section J.</i>)	Risk Custodians
Establish and document criteria for pre-employment screening (FY20)	HRD
Improve recruitment strategy, succession planning, and key person risk mitigation (FY22)	HRD (with Depts.)
Enhance overseas real estate service and management (FY21)	CSF
Develop contingency plan for key vendors (FY21)	CSF
Strengthen controls for identity verifications for badge management (FY21)	CSF
Develop an organizational mental health strategy and awareness program (FY20)	Task force led by HSD and mediator

Operational Resilience (<i>Background Paper, Section K.</i>)	Risk Custodians
Develop long-term risk mitigation strategy for operational resilience (FY21)	CSF, with Depts.
Formulate an approach to mitigate regional risk concentration (FY20)	CSF, ITD
Upgrade field office security and business continuity practices (FY21)	CSF
Conduct capacity needs assessment securing enough backup facility seats (FY20)	CSF, RPT
Complete gap analysis and developing work program for OR Priority 1 (FY20)	CSF, OBP, RPT
Financial Assets and Income (<i>Background Paper, Section L.</i>)	Risk Custodians
Enhance <i>ex ante</i> enterprise risk assessment for large program cases (FY21)	FIN, ORM, SPR
Strengthen analysis of institutional and political capacity (FY21)	SPR
Present financial risks in a more timely and consolidated format (FY21)	FIN, ORM
Reputation (<i>Background Paper, Section M.</i>)	Risk Custodians
Strengthen strategic communications, including for field operations engagement (FY20)	COM, ADs
Develop clear communications for program countries (FY20)	COM, SPR, ADs
Review HR policies for local staff in field offices (FY21)	HRD
Implement reforms to financial management in field offices (FY21)	FIN